



# A COMPARATIVE STUDY ON PROFITABILITY AND LIQUIDITY OF SABAR DAIRY AND BANAS DAIRY

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## ABSTRACT

India is one of the largest milk and milk products producing countries in the world. The Objectives of the study is to compare Profitability and Liquidity of Sabar and Banas Dairy. The study has been undertaken for the period of 5 years from 2016-17 to 2020-21. In this study, a researcher conducts research work based on financial performance indicators like Profitability Ratios, Liquidity Ratios, and earning the position of the firm. For the study researcher collected secondary data from Sabar Dairy and Banas Dairy.

**KEYWORDS:** Cooperative, Profitability, Liquidity, Financial Performance

## INTRODUCTION

### 1. Sabarkantha District Co-operative Milk Producers' Union Ltd. (Sabar Dairy)

In 1964, the Sabarkantha District Co-operative Milk Producers' Union Ltd was formed by collecting raw milk from 19 primary co-operative milk societies and supplying it unprocessed to the Ahmedabad Municipal Dairy. Municipal Dairy, as a consumer-oriented dairy, could not accept extra milk during flush season, forcing the Union to rotateally suspend milk collection from societies during flush season. Due to insufficient financial means, the milk union was unable to develop its activities during the first seven years. On May 12, 1973, milk reception and pasteurisation began, and the condensing and spray drying plant was completed in 1974. The dairy facility was expanded under the Operation Flood-II scheme to handle 4.00 lakh litres of milk per day. (*Sabardairy.Org*, n.d.)

### 2. Banaskantha District Co-operative Milk Producers' Union Ltd. (Banas Dairy)

On January 31, 1969, the milk union was registered under the Co-operative Act as Banaskantha District Co-operative Milk Producers' Union Limited, Palanpur, widely known as "BANAS DAIRY." On January 14, 1971, late Galbabhai Patel lay the foundation stone at 122 acres of land acquired near Jagana village in order to establish a dairy plant under the National Dairy Development Board's Operation Flood initiative. On May 7, 1971, the dairy began operations at the same location with a handling capacity of 1.5 lac litres of milk, which was eventually enlarged to a processing capacity of 4 lac litres milk each day. (*Www.Banasdairy.Coop*, n.d.)

## REVIEW OF LITERATURE

**Gauswami, Mitalben Kantigiri (2022) "A COMPARATIVE STUDY ON PROFITABILITY AND LIQUIDITY OF RAJKOT UNION & BHARUCH UNION"** The study's goals were to examine and contrast the financial performance of the Bharuch and Rajkot unions. In this study, a researcher will do research on financial performance indicators such as Profitability Ratios, Liquidity Ratios, and the firm's earning position. For the study, the researcher gathered secondary data from the Bharuch and Rajkot unions from 2015-2016 to 2019-2020. Dairy cooperative units make the least profit since the cooperative protects both milk farmers and customers. The liquidity status of both unions is terrible. (Gauswami & Dwivedi, 2022)

**Chunilal, Dilipkumar Patel (2014) "Financial Performance of Co-operative Societies: A Comparative Study"** The purpose of this study is to examine the total financial effectiveness of the Pindaval Cooperative Society and Karchond Cooperative Society in Valsad District, Gujarat state, India. Both cooperative societies have the same activity, by Researcher's employing various financial instruments. The research was carried out over a six-year period, from 2008-9 to 2013-14. Various accounting ratios have been employed to analyse financial efficiency in terms of profitability, solvency, activity, and financial stability. (Chunilal, 2014)

## RESEARCH METHODOLOGY

### Objectives of the study:

1. To compare Profitability of Sabar Dairy and Banas Dairy.
2. To compare Liquidity of Sabar Dairy and Banas Dairy.

### Sample Size:

Researcher select two Cooperative Dairy under research study

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1. Sabarkantha District Co-operative Milk Producers' Union Ltd. (Sabar Dairy)
2. Banaskantha District Co-operative Milk Producers' Union Ltd. (Banas Dairy)

### Data Collection:

The present study is based on secondary data. secondary data means data gathered and recorded by someone else prior to and for a purpose other than the current project. The data is collected from the annual reports of Sabarkantha District Co-operative Milk Producers' Union Ltd. (Sabar Dairy) and Banaskantha District Co-operative Milk Producers' Union Ltd. (Banas Dairy) and published article through related websites, browsers and portals.

### Hypothesis

1.  $H_0$ : There is no significant difference between Net Profit Ratio of Sabar Dairy and Banas Dairy
2.  $H_0$ : There is no significant difference between Return on Equity Ratio of Sabar Dairy and Banas Dairy
3.  $H_0$ : There is no significant difference between Current Ratio of Sabar Dairy and Banas Dairy
4.  $H_0$ : There is no significant difference between Liquid Ratio of Sabar Dairy and Banas Dairy

### Tools and Techniques

The present study is mainly intended to compare the profitability and liquidity of Sabar Dairy and Banas Dairy. The period of the study is 2016-17 to 2020-21. For the data analysis Ratios and t test have been used.

### Scope of the Study

Present study has been undertaken by selecting two dairies, researcher can increase the number of dairy cooperative units. The researcher has analysed five years data from 2016-17 to 2020-21 further it can be increase.

### Limitations of the Study

1. Research study based on analysis of only five years data.
2. Only two milk Dairies are analysed in this research study.
3. Only two types of ratios (Profitability, Liquidity) analysed in this research study.

### Data Analysis:

#### Profitability Ratios:

##### 1. Net Profit Ratio:

Year	Sabar Dairy	Banas Dairy
2016-17	0.334	0.314
2017-18	0.279	0.273
2018-19	0.277	0.249
2019-20	0.289	0.270
2020-21	0.293	0.290
Average	0.294	0.279

The above table shows the Net Profit Ratio of Sabar Dairy and Banas Dairy. Net Profit Ratio was Maximum 0.334% in the year 2016-17 and Banas Dairy was Minimum 0.249% in the year 2018-19. Average Net Profit Ratio of Sabar Dairy was maximum 0.294%.

Table 2

t-Test: Paired Two Sample for Means	
	<i>Sabar Dairy</i>
Mean	0.294499494
Variance	0.000543637
Observations	5
Pearson Correlation	0.911200583
Hypothesized Mean Difference	0
df	4
t Stat	3.390738085
P(T<=t) one-tail	0.013755628
t Critical one-tail	2.131846786
P(T<=t) two-tail	0.027511257
t Critical two-tail	2.776445105

Above Paired t-Test Table shows that P-value 0.027 is Less than Significance Value 0.05 so that Null Hypothesis is rejected. So, there is a significant difference between Net Profit Ratio of Sabar Dairy and Banas Dairy.

## 2. Return on Equity Ratio:

Table 3

Year	<i>Sabar Dairy</i>	<i>Banas Dairy</i>
2016-17	0.987	0.187
2017-18	0.992	0.188
2018-19	0.860	0.141
2019-20	0.978	0.118
2020-21	0.684	0.101
Average	0.900	0.147

The above table shows the Return on Equity Ratio of Sabar Dairy and Banas Dairy. Return on Equity Ratio was Maximum 0.992% in the year 2017-18 and Banas Dairy was Minimum 0.101% in the year 2020-21. Average Return on Equity Ratio of Sabar Dairy was maximum 0.900%.

Table 4

t-Test: Paired Two Sample for Means	
	<i>Sabar Dairy</i>
Mean	0.900166143
Variance	0.017588217
Observations	5
Pearson Correlation	0.720194501
Hypothesized Mean Difference	0
df	4
t Stat	15.65068583
P(T<=t) one-tail	4.86697E-05
t Critical one-tail	2.131846786
P(T<=t) two-tail	9.73395E-05
t Critical two-tail	2.776445105

Above Paired t-Test Table shows that P-value 9.73 is Higher than Significance Value 0.05 so that Null Hypothesis is Failed to rejected. So, there is no significant difference between Return on Equity Ratio of Sabar Dairy and Banas Dairy.

## 3. Current Ratio

Table 5

Year	<i>Sabar Dairy</i>	<i>Banas Dairy</i>
2016-17	0.790	0.829
2017-18	0.842	0.885
2018-19	0.847	0.924
2019-20	0.991	0.896
2020-21	1.113	0.995
Average	0.917	0.906

The above table shows the Current Ratio of Sabar Dairy and Banas Dairy. Current Ratio was Maximum 1.113% in the year 2020-21 and Sabar Dairy was Minimum 0.790% in the year 2016-17. Average Current Ratio of Sabar Dairy was maximum 0.917%.

Table 6

t-Test: Paired Two Sample for Means	
	<i>Sabar Dairy</i>
Mean	0.916636862
Variance	0.017554624
Observations	5
Pearson Correlation	0.828951963
Hypothesized Mean Difference	0
df	4

t Stat	0.275561209
P(T<=t) one-tail	0.398267335
t Critical one-tail	2.131846786
P(T<=t) two-tail	0.79653467
t Critical two-tail	2.776445105

Above Paired t-Test Table shows that P-value 0.796 is Higher than Significance Value 0.05 so that Null Hypothesis is Failed to rejected. So, there is no significant difference between Current Ratio of Sabar Dairy and Banas Dairy.

## 4. Liquid Ratio:

Table 7

Year	<i>Sabar Dairy</i>	<i>Banas Dairy</i>
2016-17	0.289	0.331
2017-18	0.359	0.330
2018-19	0.308	0.440
2019-20	0.490	0.550
2020-21	0.086	0.395
Average	0.307	0.409

The above table shows the Liquid Ratio of Sabar Dairy and Banas Dairy. Liquid Ratio of Banas Dairy was Maximum 0.55% in the year 2019-20 and Sabar Dairy was Minimum 0.086% in the year 2020-21. Average Liquid Ratio of Banas Dairy was maximum 0.409%.

Table 8

t-Test: Paired Two Sample for Means	
	<i>Sabar Dairy</i>
Mean	0.306582163
Variance	0.021319604
Observations	5
Pearson Correlation	0.489599121
Hypothesized Mean Difference	0
df	4
t Stat	-1.779060847
P(T<=t) one-tail	0.074924102
t Critical one-tail	2.131846786
P(T<=t) two-tail	0.149848205
t Critical two-tail	2.776445105

Above Paired t-Test Table shows that P-value 0.149 is Higher than Significance Value 0.05 so that Null Hypothesis is Failed to rejected. So, there is no significant difference between Liquid Ratio of Sabar Dairy and Banas Dairy.

## FINDINGS

From the above analysis shows that in Sabar Dairy Average Net Profit ratio, Average Return on Equity, Average Current Ratio was higher than Banas Dairy. Average Liquid ratio of Banas Dairy was Higher than Sabar Dairy.

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